

House Study Bill 695 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON KAUFMANN)

A BILL FOR

1 An Act relating to the auditor of state and including effective
2 date and applicability provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 11.31A Auditor of state —
2 divisions — continuing education.

3 1. The auditor of state shall adopt rules establishing
4 divisions within the office of auditor of state. For each
5 division within the office of auditor of state that is
6 responsible for performing attest services as described in
7 section 542.3, the auditor of state shall appoint a deputy
8 auditor of state, subject to confirmation by the senate, that
9 is a certified public accountant to lead that division. Each
10 deputy auditor of state shall do all of the following:

11 a. Perform attest services that would otherwise be performed
12 by the auditor of state.

13 b. Review and supervise each assistant auditor within the
14 division headed by the deputy auditor of state.

15 2. If the auditor of state is not a certified public
16 accountant licensed pursuant to chapter 542, the auditor of
17 state shall not sign an accountant's report issued by the
18 office of auditor of state, but shall defer to the appropriate
19 deputy auditor of state who meets the experience or competency
20 requirements set out in nationally recognized professional
21 standards for such services.

22 3. The auditor of state shall complete such annual
23 continuing education requirements as are required of a
24 certified public accountant licensed pursuant to chapter 542.

25 4. The auditor of state shall comply with all applicable
26 rules of professional conduct adopted by the Iowa accountancy
27 examining board pursuant to section 542.4.

28 Sec. 2. Section 542.3, subsection 20, Code 2022, is amended
29 to read as follows:

30 20. "*Peer review records*" means a file, report, or other
31 information relating to the professional competence of
32 an applicant in the possession of a peer review team, or
33 information concerning the peer review developed by a peer
34 review team in the possession of an applicant. "Peer review
35 records" includes peer review reports.

1 Sec. 3. Section 542.3, Code 2022, is amended by adding the
2 following new subsection:

3 NEW SUBSECTION. 20A. "*Peer review reports*" means a study,
4 appraisal, or review of one or more aspects of a certified
5 public accounting firm's compliance with applicable accounting,
6 auditing, and other attestation standards adopted by generally
7 recognized standard-setting bodies.

8 Sec. 4. Section 542.7, subsection 4, Code 2022, is amended
9 to read as follows:

10 4. An applicant for initial issuance or renewal of a permit
11 to practice as a certified public accounting firm is required
12 to register each office of the firm within this state with the
13 board and to show that all attest and compilation services
14 rendered in this state are under the charge of a person holding
15 a valid certificate issued under [section 542.6](#) or [542.19](#), or
16 by another state if the holder has a practice privilege under
17 [section 542.20](#). However, the requirements of this subsection
18 shall not apply to the office of auditor of state if the
19 auditor of state otherwise complies with the requirements of
20 section 11.31A and this section.

21 Sec. 5. Section 542.7, subsection 10, Code 2022, is amended
22 to read as follows:

23 10. a. Peer review records are privileged and confidential,
24 and are not subject to discovery, subpoena, or other means
25 of legal compulsion. Peer review records are not admissible
26 in evidence in a judicial, administrative, or arbitration
27 proceeding. Unless the subject of a peer review timely objects
28 in writing to the administering entity of the peer review
29 program, the administering entity shall make available to the
30 board within thirty days of the issuance of the peer review
31 acceptance letter the final peer review report or such peer
32 review records as are designated by the peer review program in
33 which the administering entity participates. The subject of a
34 peer review may voluntarily submit the final peer review report
35 directly to the board. Information or documents discoverable

1 from sources other than a peer review team do not become
2 nondiscoverable from such other sources because they are made
3 available to or are in the possession of a peer review team.
4 Information or documents publicly available from the American
5 institute of certified public accountants relating to quality
6 or peer review are not privileged or confidential under this
7 subsection. A person or organization participating in the
8 peer review process shall not testify as to the findings,
9 recommendations, evaluations, or opinions of a peer review team
10 in a judicial, administrative, or arbitration proceeding.
11 b. However, notwithstanding any provision of this subsection
12 to the contrary, peer review reports concerning the office of
13 auditor of state shall be considered a public record pursuant
14 to chapter 22.

15 Sec. 6. **NEW SECTION. 542.7A Office of auditor of state.**

16 1. The office of auditor of state shall qualify as a
17 certified public accounting firm subject to the requirements of
18 sections 11.31, 11.31A, and 542.7.

19 2. For purposes of section 542.7, the auditor of state shall
20 be deemed to be the owner of the office of auditor of state and
21 the office of auditor of state shall be deemed to comply with
22 the ownership requirements of section 542.7 if the auditor of
23 state is a certified public accountant or all divisions of the
24 office of auditor of state performing attest services are led
25 by a certified public accountant.

26 3. The provisions of sections 542.9, 542.17, and 542.18
27 shall not apply to the office of auditor of state as a
28 certified public accounting firm under this chapter.

29 Sec. 7. **EFFECTIVE DATE.** This Act, being deemed of immediate
30 importance, takes effect upon enactment.

31 Sec. 8. **RETROACTIVE APPLICABILITY.** This Act applies
32 retroactively to July 1, 2002.

33 **EXPLANATION**

34 The inclusion of this explanation does not constitute agreement with
35 the explanation's substance by the members of the general assembly.

1 This bill concerns the office of auditor of state.

2 The bill requires that the auditor of state adopt rules
3 establishing divisions and to provide that for each division
4 that is responsible for performing attest services as described
5 in Code section 542.3, the auditor of state shall appoint a
6 certified public accountant to lead that division, who shall
7 be subject to confirmation by the senate. The bill requires a
8 deputy auditor of state who meets the experience or competency
9 requirements set out in nationally recognized professional
10 standards to sign an accountant's report if the auditor of
11 state is not a certified public accountant. The bill also
12 requires the auditor of state to complete the continuing
13 education requirements and comply with the applicable rules of
14 professional conduct required for certified public accountants.

15 Code chapter 542, concerning public accountants, is amended.
16 The bill adds "peer review reports", defined in the bill, to
17 the definition of "peer review records". By operation of
18 law, peer review records are privileged, confidential, and
19 not subject to discovery or other means of legal compulsion.

20 New Code section 542.7A provides that the office of auditor
21 of state shall qualify as a certified public accounting firm
22 subject to the requirements of Code sections 11.31 and 542.7.
23 The bill provides that for purposes of applying for a permit as
24 a certified public accounting firm under Code section 542.7,
25 the auditor of state shall be deemed the owner of the office
26 and the office of auditor of state shall be deemed to comply
27 with the ownership requirements of Code section 542.7 if the
28 auditor of state is a certified public accountant or all
29 divisions of the office of auditor of state performing attest
30 services are led by a certified public accountant. The bill
31 provides that Code section 542.9, concerning appointment of
32 secretary of state as an agent, and Code sections 542.17 and
33 542.18, concerning client confidentiality, do not apply to the
34 office of auditor of state if the office of auditor of state is
35 issued a permit as a certified public accounting firm.

1 Code section 542.7, concerning firm permits to practice,
2 is amended. The bill provides that the requirements of an
3 applicant to register each office of the firm within the state
4 with the Iowa accountancy examining board and to show that all
5 attest and compilation services rendered in this state are
6 under the charge of a person holding a valid certificate do
7 not apply to the office of auditor of state. In addition, the
8 bill provides that peer review records concerning the office of
9 auditor of state shall be considered a public record pursuant
10 to Code chapter 22.

11 The bill takes effect upon enactment and applies
12 retroactively to July 1, 2002.